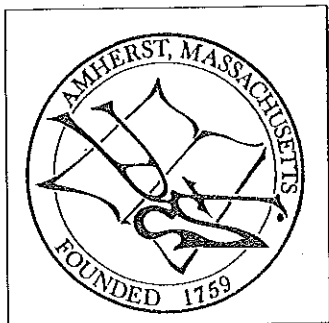


TOWN OF



AMHERST MASSACHUSETTS

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December 7, 2009

Stephanie O'Keefe, Chair
Amherst Board of Selectmen
Town Hall
4 Boltwood Ave.
Amherst, MA 01002

Dear Ms. O'Keefe,

On the evening of December 7, 2009 the Amherst Board of Assessor's will be participating with the Select Board in a joint meeting for the annual tax classification hearing.

The Board of Assessors is taking this as an opportunity to give a few updates about our activity over the past year, and to give an overview of Amherst's real estate and personal property valuations. We are also making our recommendations to you on the three issues you will be deciding regarding tax related issues be voted on annually, even if the outcome remains the same as the prior year.

As we are all well aware, there has been a great deal of turbulence in the economy. Amherst has not been as negatively impacted as many areas across the country by descending property values with resultant foreclosures. Amherst has been fortunate that foreclosure is really not an issue for our community. However, we are not totally immune from depressed values: the average single-family home value is down 6% from the previous year, and residential properties as a class are down by 4.1%. Our commercial, industrial and personal property values have risen by 3.5%. Some of this increase is attributable to reevaluations and corrections of assessments, and some of the increase is due to comparative value of this class compared to decreased valuation of the residential class.

This past year the Board of Assessors reviewed 485 requests for real estate abatements. This was a huge volume of work for the staff, but they reviewed all the requests with care

and professionalism, making the Board's work possible. We expect a similar level of abatement requests this year in light of the fact that, in general, valuations will be lower and as a result the tax rate will need to be higher. For many residents this appears counter intuitive. We hope that with the help of our local media, we can keep the public informed and educated about the facts of values and taxes.

We would also like to note that this past year we granted 190 tax exemptions across a variety of need categories approved by the town. This number is consistent with the past few years tax exemptions.

There are three recommendations we are making tonight regarding the Tax Classifications to be voted by the Select Board.

1. Split Commercial/Residential Tax Rate

The State allows municipalities to adopt separate tax rates for its residential and its commercial properties. While the percentage of commercial property valuation has increased slightly in FY10 from 9.22% the previous year to 9.81%, residential property still comprises most of the real estate value in Amherst. The amount of commercial enterprises has held steady over the past few years, and the increase in percentage of total property value reflects the decrease in residential value, making the commercial value higher. According to the computations of the Principal Assessor, David Burgess, if commercial taxes increased by a hypothetical 50%, the tax rate would only be reduced by less than one dollar representing a savings to residential property owners of 5.4%. As it is Amherst's goal to encourage business and decrease its reliance on residential property taxes, additional taxing of the commercial sector would be counterproductive.

Recommendation: The Town should not adopt a split commercial residential tax rate.

2. Residential Exemption

The State allows municipalities to exempt up to 20% of the valuation of residences below the average residential value and shift this tax burden to the properties above the average value. The purpose of this shifting of value to the higher value properties offers tax relief to the more modest or lower value homes. If the town were to opt for shifting values within the residential class the tax rate would increase for residences not eligible for the exemption-properties above the average valuation, non-owner occupied properties (e.g. apartments) and vacant land. If the residential exemption is adopted commercial and personal property do not see a change in tax rate.

When we examined the implications of adopting this measure we were concerned about the shifting of taxes to the rental sector. We were also concerned that this tool for providing tax relief was not very precise as to who is offered relief. Household need is not a consideration, only value. Seniors who have limited incomes may be living in houses of higher than average value due to long-term property appreciation and would be paying the higher tax rate under this scenario. The saving to below average property owners would be quite modest (see accompanying report).

Communities quite unlike Amherst, with a large second home market, have seen benefits to local residents with the residential exemption. We feel like the risk of negative impacts is too great with this option.

Recommendation: The Town should not adopt the residential exemption.

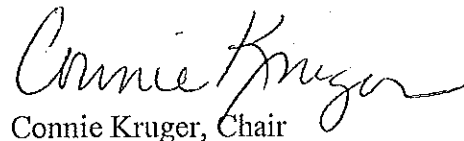
3. Small Commercial Exemption

The adoption of the small commercial exemption allows for a shifting of the tax burden from lower valued commercial properties to those valued under one million dollars and no more than ten employees. Amherst does not have very many commercial properties valued under one million and with less than ten employees that are owned by the business owner. Additionally most of our business enterprises are not owners of the real estate they occupy so the tax benefit of this option would not be directly realized by them. The commercial class is such a small sector as previously discussed that this option does not seem appropriate for Amherst.

Recommendation: The Town should not adopt the small commercial exemption.

We thank you for this opportunity to present our recommendations to you on the three tax classification actions on which you must make a decision.

Amherst Board of Assessors,

A handwritten signature in cursive script, reading "Connie Kruger".

Connie Kruger, Chair

